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STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of Connecticut Insurance Department

The Insurance and Real Estate Committee

February 18, 2013

RB No. 13: An Act Requiring Public Comment for Long-Term Care Policy Rate Filings

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, after careful review and analysis, the Department respectfully opposes RB No.13. We recognize that the cost of long term care health insurance, in both the individual and group market, is significant for insured policyholders and certificate holders, many of whom are senior citizens with fixed incomes. We are sympathetic to consumers trying to meet these costs, especially in these economic times. The Department understands and shares the goal of legislators and proponents of this bill. However, we fear that this bill, if enacted, will have unintended consequences. There is a significant risk after enactment, of a reduction in the number of health insurers writing long term health insurance in Connecticut, a number of which have already exited this market in recent years.

The current rate review process is based on actuarial science and is fair, objective, and without bias. Over the last seven years the Department has received 159 long term care rate increase requests. Of those, 107 have been disapproved entirely, 15 have been approved as submitted and the remainder have been disapproved at the requested level but allowed a lower level increase. Currently, the Department maintains a Long Term Care Rate Filing section on its website. The site is accessible to the public and provides a concise summary of each request with accompanying data, actuarial table and correspondence. Consumers have the option to sign up for e-alerts to be notified when filings are posted and there's a section reserved for public comment where an individual can select a specific filing that impacts his or her policy and provide comment regarding the legal and actuarial basis specific to that rate increase request.

Ultimately, public symposiums will not change the result of the actuarial review in determining whether the premium rates are adequate, not excessive nor unfairly discriminatory. Such symposiums will require additional resources for the Insurance Department at a time when government is encouraged to streamline its processes and to be more efficient. This requirement adds more bureaucracy and potential costs not only to state government but to the health care system and ultimately to policyholder premiums. Of greatest concern is the fear that a symposium will give a policy holder facing a premium rate increase a false sense of hope that the use of actuarial science will be suspended or over looked because of his or her testimony.

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Long term care is a unique product that is very different than insurance for medical care. Claims are not expected to be paid until several years in the future, so carriers must build ample reserves to pay claims down the road. Carriers must meet minimum loss ratios over the lifetime of the long term care policies. If actual claims begin to exceed expected claims used in the development of the original premium, the carrier may not have sufficient funds to pay future claims. With advances in medical technology, individuals are living longer, but are not necessarily healthier. The primary cause of long term care rate increases is that more individuals are going into claim than was originally projected years ago when the initial premiums were developed. It is important that rates be adequate as well as not excessive. The rate review process cannot be based on public opinion or politicized. Arbitrarily setting premiums to levels that are inadequate can lead to insolvencies as we have seen in other states.

Although the Department opposes R.B. No. 13, the Department has submitted a proposal to assist existing and future policy holders and asks for this Committee's support to require carriers to spread out a premium increase of 20% or more over a minimum of three years. In addition the Department is working with the Office of Policy and Management on improvements to the Long Term Care Partnership regulations.

Thank you for this opportunity to comment on this bill. The Department looks forward to working with the Committee on this issue

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.

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